

EXHIBIT 1
DATE Feb. 4, 2015
HB John Tubbs

P.O. Box 5987 • Helena, MT 59604-5987
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September 28, 2012

Mr. John Grimm
Real Estate Specialist Supervisor
Trust Land Management Division
PO Box 201601
Helena, MT 59620-1601

RE: Budget of Corrections Building – 1539 11th Avenue, Helena, MT
Attachment #1 – Estimate of Renovation and Addition
Attachment #2 – HVAC Estimate
Attachment #3 – Invoice from Diamond Construction, Inc.

Dear Mr. Grimm:

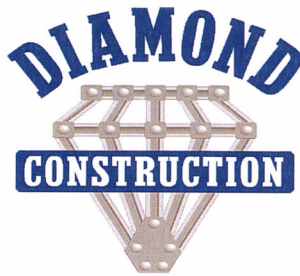
In compliance with our agreement for an estimated cost for the renovation or demolition/reconstruction of the Corrections Building, 1539 11th Avenue, Helena:

Option 1 – Renovation/Building Addition

We provide our estimate as detailed on our attachment #1 of \$7,072,299 (\$196.00/sq.ft.). We have accounted for all items numbered 1 through 11 of our agreement. We have reviewed on-site conditions with Integrity Electric, Tri-County Mechanical and a structural engineer from Stahly Engineering. We have relied on and used the A.L.M. Consulting, LLC – hazardous materials inspection report dated December 7, 2011.

The biggest concern we had was finding an HVAC system that would work with the present structure of concrete deck, columns and beams. The existing clearance under the beams presents a challenge to use standard ventilation ducts for air distribution that could further restrict head height and clearances. Bob O'Connell with Tri-County Mechanical has had huge successes with a relatively new system of heating and cooling. This system, Daiken, will allow a workable and reasonable head clearance heights at the present level of the bottom of the beams throughout the existing building. There is some extra cost that is associated with this system but it is extremely energy efficient and should provide good Class A Office Building comfort. I have attached Bob's email explaining the system and its' cost.

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Pöörindolen



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Our estimate for all our phase codes is based on jobs we have bid or in combination with actual completed job costs. This applicable cost data was used for each phase of work. We feel the numbers provided are accurate budget amounts. It is always best, on remodel jobs as complex as this one, to use a 15% mark-up contingency for unknowns.

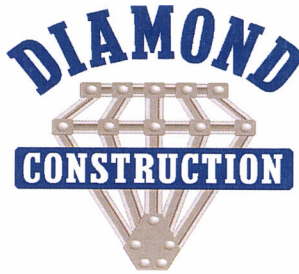
Our projected LEED budget is based on cost data from a recent LEED job we completed. The budget really did not consider trying to re-use any door or window historic trim or to relocate these trims for reinstallation. There may be some increased cost for this option, which would depend on the level of refinish desired or specified for the old trims.

We used \$180.00/sq.ft. for the new building addition with a budget for tying into the existing structure. The tie-in will be challenging, but we have allowed for this cost in our budget. There seems to be adequate lot area for this 8,000 sq.ft. addition for two or three stories. One possible option I verified, is an addition on the north side facing 11th Avenue. It appears that the existing basement level would easily blend with an entrance right off the 11th Avenue sidewalk.

There are some areas on the north side that may allow for additional parking, but the site will not provide all parking needed. This 36,000 sq. ft. office building will require an estimated 138 parking spots plus 5 required handicap spots, for a total of 143 spots. Presently, we accounted for about 66 on-site spots. The on-site capacity may be increased slightly with some modifications. The building would be short 77 spots at approximately 23,000 sq. ft. of additional paving required. The parking lot could utilize some of the north portion of the lot, about 5,000 sq. ft., but not the entire 23,000 sq. ft. I understand the building's parking requirements could be part of the Capitol Complex to provide more options and flexibility. Some on-street parking would be allowed. We have allowed \$92,400 for the shortage of 23,000 sq. ft. of parking, gravel and minor excavation, along with some curb and gutter.

We have allowed for a furred out 3 1/2" exterior wall on all levels to allow for a 3" of polyurethane wall insulation. This item has the biggest impact on window trim and re-use cost because all interior surfaces will be extended inward by 4". We have allowed for additional blow-in insulation in the attic to meet new insulation standards.

We did budget painting and re-finishing of all old stairways, plus old exterior soffits and fascia, which appear to be in good condition. A new roof is budgeted based on a heavy architectural shingle with complete tear off of the old cedar shingles and some roof sheathing replacement.



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We discussed structural issues with Mike Meredith, with Stahly Engineering, who felt the building cost for any structural needs would be about the same for any present day structure with plywood required on one or two sides of some interior walls and/or exterior furring walls. We have allowed for this item on our estimate.

Option 2 – Demolition of Old Building and Construction of New Building

The demolition budget as provided by ourselves and Dick Anderson is estimated at about \$350,000.00 (\$10.00/sq.ft.). There may be some additional asbestos abatement required in old, closed off, under slab, mechanical tunnels per the hazardous material report. This material will have to be abated with this option. No one has an estimated quantity for this item, but we feel it is covered by our contingency.

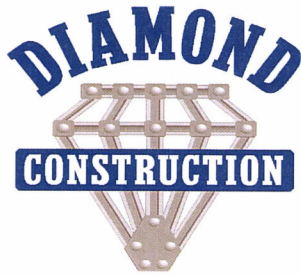
The new building price, not including architectural or design fees, will be \$195.00/sq.ft. The architectural fees will add about 10%, bringing the price to a comparative amount of about \$225.00/sq.ft. or \$8,100,000.00 including demolition. You may want to add a small contingency of 5% that could bring the cost to \$237.00/sq.ft.

We provide the following information on the new Class A office building built in 2005 at the Veteran's Administration, Fort Harrison – 22,000 sq. ft. for \$4,800,000 (\$218/sq.ft.), which is a certified LEED building. We used a slight increase in cost of 7% for today's pricing which would bring the price to \$233/sq.ft. with all general conditions, LEED, architectural design, and profit & overhead.

The new Montana State Fund building cost \$24,851,000 for construction for 115,000 sq.ft. (\$216/sq.ft.). The design fee added \$2,400,000 (\$21.00/sq.ft.) or total price \$237/sq.ft. Furnishings and furniture for open offices added \$1,500,000 (\$13/sq.ft.)

These budget numbers are based on Class A upper-end office space. We have built nice office space for \$140/sq.ft. to \$180/sq.ft. We have remodeled older buildings with similar space for \$120/sq.ft., including new mechanical and electrical systems. The driving force behind all of these numbers is the range in quality level of the finished product as desired by the client. Diamond Construction would like to offer our construction management services as a selected teammate in combination with a design firm to help guide this project to the desired level of quality and cost.

There are some advantages to having a complete new building from the start versus the gut and remodel. On the opposing view, there is some value in the old historic building



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renovation. We hope our data can be helpful in making your decision. If we can answer any questions, please let us know. Thank you for this opportunity to serve you. Please let us know if we can assist in any way.

Sincerely,

Dean Bjerke

cc: Ethan